

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-11 H-01 INR-07 INT-05 L-03
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E.O. 11652: N/A
TAGS: ENRG, LY
SUBJECT: LIBYA REDUCES CRUDE OIL PRICES

1. AS PETROLEUM SPECIALISTS WILL ALREADY HAVE NOTED FROM
TRADE PUBLICATIONS, LIBYA HAS REDUCED BOTH ITS OFFICIAL
SELLING PRICE AND POSTED PRICE FOR CRUDE OIL AS OF BEGIN-
NING OF THE YEAR IN RESPONSE TO MARKET CONDITIONS. NO
PUBLIC NOTICE OF THE CHANGES HAS BEEN ISSUED, BUT LOCAL
OILMEN CONFIRM ACCURACY OF PETROLEUM INTELLIGENCE WEEKLY
(PIW) JANUARY 16 LISTING OF REDUCTIONS IN OFFICIAL SELLING
PRICE OF FROM 14 TO 25 CENTS PER BARREL FROM PRICES PRE-
VAILING IN SECOND HALF OF 1977. ON AVERAGE, NEW OFFICIAL
PRICES ARE ONLY ABOUT 5 CENTS PER BARREL HIGHER THAN THOSE
IN FORCE DURING FIRST HALF OF 1977, AND THE ROUGHLY 1.5
PERCENT INCREASE AT MIDYEAR HAS BEEN MOSTLY NULLIFIED.
PIW REPORTS THAT WHILE LIBYA IS NOW MOST COMPETITIVE OF
AFRICAN LIGHT-CRUDE PRODUCERS, PRICE CUTS ARE CONSIDERED
INADEQUATE BY BUYERS AND SOME RESISTANCE TO NEW PRICES
MAY BE EXPECTED. WE ARE TOLD BY INDUSTRY SOURCES THAT
LIBYAN LIFTINGS IN DECEMBER WERE LESS THAN 1.9 MILLION
BPD, COMPARED TO NOVEMBER'S ESTIMATED 2.1 MILLION,
AND THAT JANUARY LIFTINGS MAY AMOUNT TO ONLY 1.7 TO
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1.8 MILLION BPD.

2. LIBYANS HAVE ALSO REDUCED POSTED PRICE USED FOR
CALCULATING ROYALTIES AND INCOME TAX ON COMPANIES'
EQUITY OIL FROM \$18.78 PER 40-DEGREE BARREL TO \$18.34.
NEW FIGURE IS ONLY 9 CENTS PER BARREL HIGHER THAN
INCREASED POSTING PUT INTO EFFECT AT BEGINNING OF 1977.

3. PRICE DEVELOPMENTS, COUPLED WITH MARKET SITUATION RESPONSIBLE FOR THEM, MEANS LIBYA STARTS YEAR WITH NO PROSPECT FOR SIGNIFICANTLY INCREASED OIL REVENUES IN 1978. IN FACT, IF MARKET OUTLOOK IS AS UNFAVORABLE FOR AFRICAN LIGHT-CRUDE PRODUCERS AS REPORTED BY TRADE PRESS, AND ASSUMING OPEC DOES NOT LEVY A GENERAL INCREASE FOR SECOND HALF OF YEAR, LIBYA COULD WELL EXPERIENCE REDUCED PETROLEUM REVENUES IN 1978 AS RESULT OF LOWER PRODUCTION THAN 1977 AND PERHAPS FURTHER PRICE CUTS AND DEEPER PRICE-SHAVING.
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